Annual Report

2003

A STRONG START WITH A COMMITMENT TO GROWTH

BURMIS

ENERGY INC

BURMIS
ENERGY INC

Commenced Operations January 28, 2003

Trading on the Toronto Stock Exchange under the symbol BME

Focussed in west central Alberta.

Burmis Energy Inc. is an emerging junior oil and gas company with headquarters in Calgary, Alberta. The Company commenced operations on January 28, 2003. The Company's main area of activity is west central Alberta where its team employs both technical and operational expertise to expand and develop its production and reserve base. Burmis trades on the Toronto Stock Exchange under the symbol "BME".

Notice of Annual Meeting

The Annual General Meeting of Shareholders will be held on Wednesday, May 26, 2004 at 3:00 p.m. in the Cardium Room of the Calgary Petroleum Club, 319 – 5th Avenue SW, Calgary, Alberta. All shareholders and other interested parties are invited to attend.

A SOLID FOUNDATION FOR FURTHER EXPLORATION

Burmis continues to execute its growth strategy and build its production and reserve base, drawing on its competitive advantages which include:

- **a proven management team which has previously worked together to build a successful public junior oil and gas company.**
- **an experienced and primarily independent Board of Directors**
- **a strong balance sheet providing financial flexibility**
- **an inventory of exploration and development prospects and producing properties in areas where we have technical expertise and operational experience**
- **long term associations with key service providers.**

Contents

Highlights

83% INCREASE	An Increase in proven reserves of 83% as evaluated under NI 51-101.
$9.69 PER BOE	Finding and development costs of $9.69 per boe of proved plus probable reserves for our 2003 capital program including future development capital of $2.3 million.
$10.95 PER BOE	Finding, development and acquisition costs of $10.95 per boe of proved plus probable reserves including revisions and future development capital of $2.3 million.
354% REPLACEMENT	Replaced production by 354 percent on a total proved plus probable basis and 310 percent on a total proved basis.

AND DEVELOPMENT EXPANSION

$0.94 PER SHARE	Net asset value of $0.94 per diluted share at December 31, 2003 calculated before tax at a 10 percent discount using total proved plus probable reserves.
503 BOEPD	Average production of 503 barrels of oil equivalent per day in 2003.
$3.0 MILLION	Cash flow from operations of $3.0 million or $0.15/share for the reported period in 2003.
$5.45 PER BOE	Operating costs of $5.45 per barrel of oil equivalent in 2003.
$20.56 PER BOE	Operating netback of $20.56 per barrel of oil equivalent in 2003.

Highlights

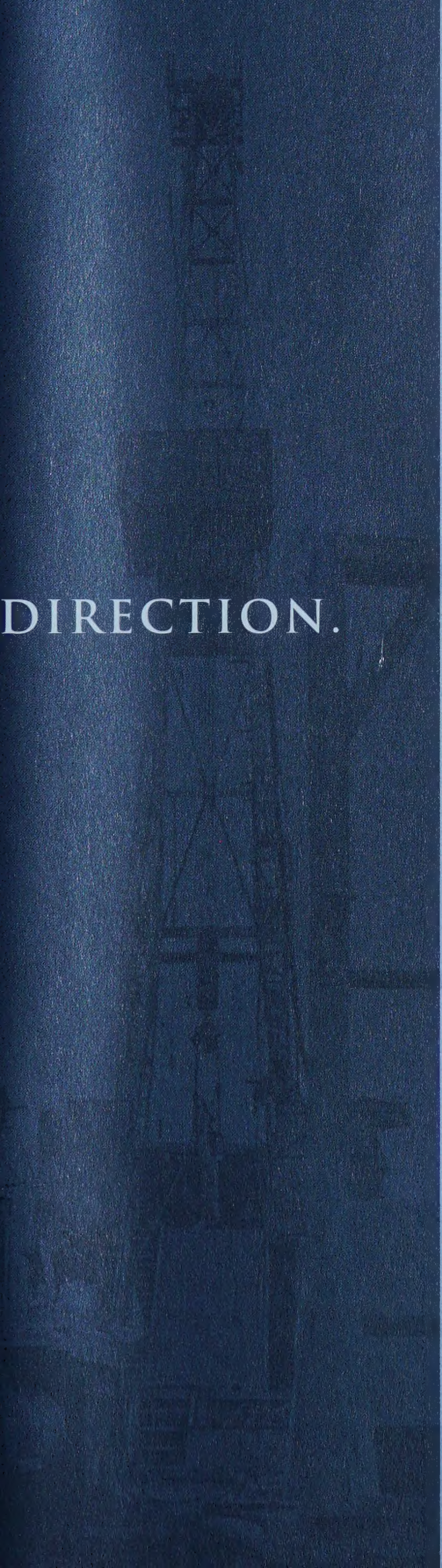
	2003
Financial ($000's, except share and per share amounts)	
Gross petroleum and natural gas revenue	6,048
Cash flow from operations	2,968
Basic and diluted per share	0.15
Earnings (loss)	435
Basic and diluted per share	0.02
Common shares	
weighted average for the reported period	19,826,454
outstanding at December 31, 2003	21,810,133
Capital expenditures, net	9,747
Total assets	21,682
Working capital (deficit)	(486)
Shareholder's equity	14,976

A PROVEN MANAGEMENT TEAM WITH A CLEAR

Operating	
Oil and NGL's (barrels per day)	247
Average Price ($Cdn per barrel)	$ 32.84
Natural Gas (thousand cubic feet per day)	1,537
Average Price ($Cdn per thousand cubic feet)	$ 6.30
Barrels of oil equivalent per day (6:1)	503
Operating Costs per barrel of oil equivalent (6:1)	$ 5.45
Operating Netback ($Cdn/boe)	$ 20.56
Cash Flow Netback ($Cdn/boe)	$ 17.50
Undeveloped Lands	
Gross Acres	78,426
Net Acres	41,725
Reserves at December 31, 2003 (in accordance with NI 51-101)	
Total proved plus probable reserves	
(thousand of barrels of oil equivalent converted @ 6:1)	1,579
Natural gas (billion cubic feet)	3.6
Oil and NGL's (thousand barrels)	980

President's Message to Shareholders

Aidan M. Walsh, P.Eng., MBA
President and Chief Executive Officer, Burmis Energy Inc.



I am pleased to report on the activities of Burmis Energy Inc. in our initial year of operations. Burmis commenced operations on January 28, 2003 as a spin-out company with the same shareholders as its predecessor under a Plan of Arrangement which also involved the sale of Elk Point Resources Inc. to Acclaim Energy Trust. Burmis was listed for trading on the Toronto Stock Exchange under the symbol BME on February 1, 2003. The Company's activities during the past year were focussed in west central Alberta. Our achievements include:

- An increase in proved reserves of 83 percent as evaluated under NI 51-101.
- Finding and development costs of $9.69 per boe of proved plus probable reserves for our 2003 capital program including future development capital of $2.3 million.
- Finding, development and acquisition costs of $10.95 per boe of proved plus probable reserves including revisions and future development capital of $2.3 million.
- Cash flow for the eleven month reported period of $3.0 million or $0.15/million share.
- Net asset value of $0.94 per diluted share at December 31, 2003.
- Replacing production by 354 percent on a total proved plus probable basis and 310 percent on a total proved basis.
- Drilling and completing two high deliverability Nisku oil wells at Pembina.
- Drilling and completing two liquid rich natural gas wells at Ferrier.
- A new light oil pool discovery at Kidney in the first quarter of 2004.

As we continue to execute our growth strategy and build our production and reserve base, we will draw on the fundamental strengths of Burmis which include:

- A proven management team which has previously worked together to build a successful public junior oil and gas company.
- An experienced and independent Board of Directors.
- A strong balance sheet providing financial flexibility.
- An inventory of exploration and development prospects and producing properties in areas where we have technical expertise and operational experience.
- Long term associations with key service providers.

The tie-ins of two high deliverability Nisku oil wells at Pembina, a liquid rich gas well at Ferrier, and our discovery oil well at Kidney will be priorities in 2004. These wells will provide low risk production growth this year and a solid foundation from which to expand our future exploration and development activities.

Drilling Activity

In its first year of operations, Burmis undertook an active drilling program to achieve growth though the drill bit. Burmis drilled 14 gross (8.7 net) wells in 2003 and cased eight gross (5.3 net) gas wells, two gross (1.1 net) oil wells and abandoned four gross (2.3 net) wells. The company's overall drilling success rate was 74 percent in 2003.

In the first quarter of 2004 Burmis drilled four gross (2.4 net) wells resulting in three (1.4 net) natural gas wells and one (1.0 net) oil well for a 100 percent success rate.

Reserves

At year end, the Company had 2.63 Bcf of proved and 0.97 Bcf of probable natural gas reserves as well as 734 thousand barrels of proved and 246 thousand barrels of probable crude oil and natural gas liquids reserves. Proved reserves increased 83 percent and proved plus probable reserves were up 62 percent compared to proved and established reserves respectively as evaluated under NP 2B on January 28, 2003. The Company replaced production by 354 percent on a total proved plus probable basis and by 310 percent on a total proved basis.

The Company's petroleum reserves at year-end were evaluated by McDaniel and Associates using the new standards of National Instrument 51-101. Proved reserve assignments are based on a 90 percent certainty (P90) that quantities recovered will equal or exceed proved reserve estimates. Probable reserves are assigned so that there is a minimum 50 percent certainty (P50) that quantities recovered will equal or exceed estimates of proved plus probable reserves. The new standard provides for a more conservative evaluation of proven and probable reserves particularly on new wells where a production history has not been established.

Finding and Development Costs

Subsequent to the Plan of Arrangement on January 28, 2003, the Company expended $9.75 million in 2003. The Company's finding and development cost for its 2003 capital expenditure program, including future development capital of $2.3 million but excluding the original acquisition of properties under the January 28th Plan of Arrangement, was $9.69 per barrel of oil equivalent of total proved plus probable reserves. Under the plan of arrangement on January 28, 2003, Burmis Energy Inc. acquired certain producing and non-producing properties from Elk Point Resources Inc. for which the shareholders of Elk Point received shares of Burmis. The acquisition cost of these spin-out properties was determined based on the initial trading price of the Burmis common shares, adjusted for working capital. As a result, the Company's overall finding, development and acquisition cost was $10.95 per barrel of oil equivalent of total proved and probable reserves evaluated under the standard of National Policy 51-101, adjusted for reserve revisions and including $2.3 million of future development capital.

Net Asset Value

At December 31, 2003, Burmis had a before tax net asset value of $0.94 per share at a 10 percent discount using total proven plus probable reserves as evaluated by McDaniel & Associates under the standards of National Policy 51-101 and independent assessments of undeveloped land value. No value was assigned for the Company's proprietary seismic.

Corporate Governance

Burmis is committed to a high standard of corporate governance in its disclosure practices and operating policies. We have implemented the following measures to ensure the Company maintains a high degree of integrity. The Company has three independent directors and both the audit and reserves committees are comprised of independent directors. Burmis has separated the positions of Chairman of the Board and Chief Executive Officer. The Company obtains auditor reviews of unaudited interim financial statements. Burmis engages a top tier engineering company to appraise all of its petroleum and natural gas reserves and independent land consultants to assess the fair value of its undeveloped lands. The Company endeavours to operate with a high level of integrity and diligence.

Liquidity and Capital Resources

During August 2003, Burmis' revolving production loan facility with a Canadian chartered bank was increased from $2.1 million to $4.0 million after a scheduled review. This will allow Burmis to pursue additional opportunities as they arise. The facility is scheduled for review in May 2004 at which time the bank may change the term and amount of the facility. The Company anticipates an increase in the available facility due to the increases in our reserves and production base. No amounts were outstanding under this facility at December 31, 2003, however Burmis did have a working capital deficit of $486,000 at the end of the period.

On August 13, 2003 Burmis closed a private placement of 3.0 million flow-through common shares for gross proceeds of $3.9 million. Proceeds of the private placement are being used to fund the Company's exploration program primarily in west central Alberta. Burmis currently has 21.8 million common shares outstanding. In addition, 1.87 million stock options have been issued at an average exercise price of $0.53 per share.

On February 20, 2003 Burmis closed its initial private placement of 1.75 million common shares and 1.75 million flow-through common shares with its officers and directors for gross proceeds of $1.575 million. Proceeds of the private placement were used to fund the Company's exploration and development program this year.

As a result of the Plan of Arrangement involving the sale of Elk Point Resources Inc. to Acclaim Energy Trust, Burmis Energy Inc. was formed and the shareholders of Elk Point Resources Inc. received one-half of a common share of Burmis for each share of Elk Point held. Under this arrangement, Burmis received certain minor producing assets of Elk Point, 30,000 net acres of undeveloped land and working capital of $1.1 million.

Industry Environment

Natural gas prices remained strong throughout 2003 despite storage inventories being fully replenished entering the winter heating season. Prices strengthened in late 2003 and early 2004 on colder seasonal weather.

Natural gas prices in 2004 will be influenced by the rate at which natural gas inventories are built up during the storage injection season and the strength of the U.S. economy. Natural gas inventories are seasonably average which may precipitate a minor correction in natural gas prices as the winter season ends.

Crude oil prices remained strong in 2003 and early in 2004 due to the continued discipline of the Organization of Petroleum Exporting Countries ("OPEC") in managing its production quotas, the ongoing conflict in Iraq and lower U.S. crude oil inventories. The weakened U.S. dollar is also contributing to a higher OPEC target crude oil price.

Looking forward into 2004, it is difficult to project crude oil prices due to the uncertainties of the Iraq conflict, the war on terrorism, political unrest in Venezuela and the strength of the U.S. economy. However, the significant uplift in the economy of China and the softening of the U.S. currency has firmed up crude oil demand and, when combined with recent OPEC discipline and low U.S. crude oil inventories, is positive for crude oil prices.

The weakening of the U.S. dollar against most currencies including the Canadian dollar has resulted in a lower netback for crude oil in Canada at the same price compared to the previous year. However, this has been offset by the overall strength in crude oil prices. The differential in interest rates between Canada and the U.S. has been the main contributor to the strength in the Canadian dollar versus its U.S. counterpart. In 2004, we expect some easing of Canadian interest rates to reduce this differential. In such a case, we would expect the Canadian dollar to weaken compared to the U.S. dollar and the Canadian crude oil netback to increase.

The ongoing consolidation and restructuring of the Canadian oil and gas producing industry continued in 2003 with the sale or conversion of numerous junior oil and gas companies to royalty trusts and the emergence of a plethora of start-up entities, both public and private, with experienced management teams. These companies have considerable access to capital, which is resulting in a highly competitive, higher cost environment.

Outlook

Burmis is entering 2004 with a larger production base and confidence in our ability to continue to grow the Company. In the first quarter, Burmis tied in a 65 percent working interest gas well at Ferrier. The Company also drilled two gas wells at Hoadley, one gas well at Pembina and a light oil pool discovery well at Kidney for a 100 percent drilling success in the first quarter of 2004. A 100 percent working interest gas well at Hoadley was placed onstream in February. The remaining three wells are scheduled to commence production in the second quarter. Our ongoing drilling program will continue to be focussed in West Central Alberta and includes a Nisku oil prospect at Brazeau and a Nordegg oil and gas prospect at Whitecourt. The Company will follow up on its oil discovery at Kidney and continue to build its prospect inventory through land sales and farm-in arrangements.

Burmis will tie-in its two Pembina Nisku oil wells into the Keyspan operated Easyford oil battery during the first half of 2004. Production from these two high quality Nisku oil wells is expected to commence this year upon expansion of the sour natural gas transportation and processing capacity in the area. The Company will produce these oil wells through the Easyford oil battery under both firm and interruptible processing arrangements. These two Pembina wells are expected to add 300 barrels of oil equivalent per day of net production through the expanded facilities in the third quarter of this year.

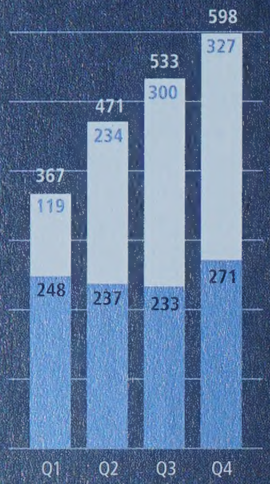
I would like to thank all the shareholders of Burmis for their investment in the Company. The Burmis team also appreciates the productive relationships we maintain with our key consultants and service providers who enable us to successfully implement our exploration and development activities. I would like to thank the Company's Board of Directors for their guidance and ongoing stewardship of the Company. I also acknowledge the Burmis team for their efforts in the start-up of the Company and their commitment to achieving profitable growth by identifying and exploiting opportunities to effectively grow our asset base. I look forward to providing you with future updates on our progress as we carry out our exciting program in 2004.

Respectfully submitted on behalf of the Board of Directors,

Aidan Walsh

Aidan M. Walsh, P.Eng., MBA
President & C.E.O.

April 15, 2004



Average Daily Production (boe/d)
Oil Gas

Operations Review

In 2003, our start-up year, the Burmis team concentrated on developing the potential of the Company's undeveloped land base and the farm-in lands which were accessed under a one year option. Activities included tying in several lower deliverability gas wells on the Hoadley, Greencourt and Shadow properties and undertaking an active drilling and completion program in west central Alberta.

The Company's drilling program yielded two high deliverability Nisku oil wells at Pembina, two substantial liquid rich natural gas wells at Ferrier, one medium depth and three shallow gas wells at Westerose, one gas well at Wildwood and one shallow gas well at Pembina.

Burmis participated in the drilling of 14 gross (8.7 net) wells, 71 percent of which were operated. The Company cased 8 gross (5.3 net) gas wells, 2 gross (1.1 net) oil wells and abandoned 4 gross (2.3 net) wells for an overall success rate of 74 percent.

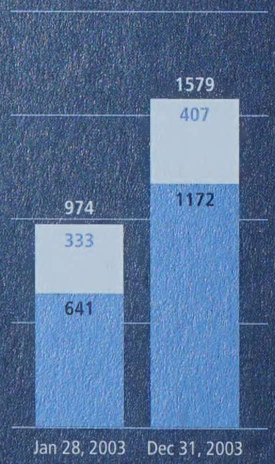
Drilling Activity

	Exploration		Development	
	Gross	Net	Gross	Net
Gas Wells	3.0	1.90	5.0	3.40
Oil Wells	1.0	0.38	1.0	0.75
Dry & Abandoned	2.0	1.50	2.0	0.77
Total	6.0	3.78	8.0	4.92

AN EXPANDING PRODUCTION BASE TO SUPPORT OUR

Reserves

An independent engineering evaluation of Burmis' petroleum and natural gas reserves was completed by McDaniel and Associates Consulting Limited for all of the properties of Burmis effective December 31, 2003 ("The McDaniel Report"). These estimates were prepared in accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities (NI 51-101). Burmis has a reserves committee comprised of independent board members which reviews the qualifications and appointment of the independent reserve evaluators. The committee also reviews the process for providing information to the evaluators and meets with the independent evaluators to discuss the procedures used in the independent report, to review major property assessments and to discuss any areas of risk. The McDaniel Report was reviewed by the reserves committee of Burmis and was approved by the Board of Directors at a meeting held on March 23, 2004.



Reserves (mboe)
Proved Probable

See notes 3 and 5 from reserve reconciliation tables on page 8

Reserves Highlights

- Proved reserves at December 31, 2003 evaluated under NI 51-101 were 1.17 million barrels of oil equivalent, an increase of 83 percent compared to 641 thousand barrels of oil equivalent of proved reserves at January 28, 2003 as evaluated under National Policy 2B;
- Proved plus probable reserves at December 31, 2003 evaluated under NI 51-101 were 1.58 million barrels of oil equivalent, a 62 percent increase from 974 thousand barrels of oil equivalent of established reserves (proven plus 50 percent probable) at January 28, 2003 as evaluated under National Policy 2B;
- Burmis was not assigned any proved undeveloped reserves in the McDaniel Report.

"We were active drillers in our first year of operations with success on two operated Nisku oil wells at Pembina and two operated liquid rich Cardium natural gas wells at Ferrier."

Summary of Gross (working interest) Reserves at December 31, 2003 [2]

Reserve Category	Light and Medium Crude Oil (mbbl)	Heavy Crude Oil (mbbl)	Total Crude Oil (mbbl)	Natural Gas liquids (mbbl)	Natural Gas (mmcf)	Barrels of Oil Equivalent (mboe)[1]
Proved						
-producing	31	144	175	72	1,561	508
-non-producing	382	-	382	105	1,067	664
Total Proved	412	144	557	177	2,628	1,172
Probable	144	27	172	75	972	407
Proved plus probable	556	172	728	252	3,600	1,579

[1] Natural gas is converted to barrels of oil equivalent ("boe") at a ratio of six thousand cubic feet to one boe.

[2] Numbers in this table are subject to round off error.

[3] Reserve estimates determined using forecasted prices and costs.

FUTURE GROWTH.

Summary of Net (working interest and royalties receivable less royalties payable) Reserves at December 31, 2003 [2]

Reserve Category	Light and Medium Crude Oil (mbbl)	Heavy Crude Oil (mbbl)	Total Crude Oil (mbbl)	Natural Gas liquids (mbbl)	Natural Gas (mmcf)	Barrels of Oil Equivalent (mboe)[1]
Proved						
-producing	30	116	146	46	1,190	390
-non-producing	232	-	232	72	744	428
Total Proved	261	116	377	118	1,934	818
Probable	96	22	118	50	724	288
Proved plus probable	357	138	495	168	2,658	1,107

[1] Natural gas is converted to boe at a ratio of six thousand cubic feet to one boe.

[2] Numbers in this table are subject to round off error.

[3] Reserve estimates determined using forecasted prices and costs.

The following tables reconcile Burmis' proved and proved plus probable reserves. Burmis was formed and allocated petroleum and natural gas assets in exchange for common shares under the Plan of Arrangement dated January 28, 2003. The initial reserves were evaluated by McDaniel & Associates effective December 1, 2002 under National Policy 2B prior to the formation of Burmis and published in the Plan of Arrangement documentation. These reserves have been adjusted for production to January 28, 2003. The reserve reconciliations reflect the impact of the new reserve standard National Instrument 51-101and the results from the Company's 2003 capital program.

Reconciliation of Gross (working interest) Proved Reserves [2]

Reserve Category	Light and Medium Crude Oil (mbbl)	Heavy Crude Oil (mbbl)	Total Crude Oil (mbbl)	Natural Gas Liquids (mbbl)	Natural Gas (mmcf)	Barrels of Oil Equivalent (mboe)[1]
December 1, 2002 [3]	61	109	170	35	2,722	659
Production to January 28, 2003	(2)	(12)	(14)	-	(19)	(17)
January 28, 2003 [3]	**59**	**97**	**156**	**35**	**2,703**	**641**
Extension and discoveries	382	-	382	179	2,114	914
Revisions [4]	(17)	105	88	(21)	(1,667)	(211)
Dispositions	(1)	-	(1)	-	-	(1)
Production during 2003	(11)	(57)	(68)	(15)	(523)	(171)
December 31, 2003 [5] [6]	**412**	**144**	**557**	**177**	**2,628**	**1,172**

(1) Natural gas is converted to barrels of oil equivalent ("boe") at a ratio of six thousand cubic feet to one boe.

(2) Numbers in this table are subject to round off error.

(3) Proved reserves evaluated under National Policy 2-B.

(4) Revisions pertain only to the initial properties allocated to Burmis under the Plan of Arrangement of January 28, 2003. Revisions to proved reserves due to NI-51-101 include a write-off of reserves for a sour gas zone in a well at Hoadley and a shut-in gas well at Halkirk. Technical revisions were mainly single gas wells at Greencourt and Ferrier.

(5) Proved reserves evaluated under NI 51-101.

(6) Reserve estimates determined using forecasted prices and costs.

Reconciliation of Gross (working interest) Proved plus Probable Reserves[2]

Reserve Category	Light and Medium Crude Oil (mbbl)	Heavy Crude Oil (mbbl)	Total Crude Oil (mbbl)	Natural Gas Liquids (mbbl)	Natural Gas (mmcf)	Barrels of Oil Equivalent (mboe)[1]
December 1, 2002[3]	75	206	281	70	3,844	992
Production to January 28, 2003	(2)	(12)	(14)	-	(19)	(17)
January 28, 2003[3]	**73**	**194**	**267**	**70**	**3,825**	**974**
Extension and discoveries	513	-	513	249	2,874	1,241
Revisions	(19)	35	17	(52)	(2,576)	(464)
Dispositions	(1)	-	(1)	-	-	(1)
Production during 2003	(11)	(57)	(68)	(15)	(523)	(171)
December 31, 2003[5][6]	**556**	**172**	**728**	**252**	**3,600**	**1,579**

(1) Natural gas is converted to barrels of oil equivalent ("boe") at a ratio of six thousand cubic feet to one boe.

(2) Numbers in this table are subject to round off error.

(3) Opening balance is proved plus 50 percent risked probable reserves evaluated under National Policy 2-B which were previously referred to as established reserves.

(4) Revisions pertain only to the initial properties allocated to Burmis under the Plan of Arrangement of January 28, 2003. Revisions to proved reserves due to NI-51-101 include a write-off of reserves for a sour gas zone in a well at Hoadley and a shut-in gas well at Halkirk. Technical revisions were mainly single gas wells at Greencourt and Ferrier. Revisions to probable reserves were mainly on shut-in wells at East Lost Hills, California, at Hart Draw, Wyoming and a sour gas zone in a well at Hoadley.

(5) Proved plus probable reserves evaluated under NI 51-101.

(6) Reserve estimates determined using forecasted prices and costs.

The following table summarizes Burmis' share of the net present value of its reserves at December 31, 2003 using forecasted prices and costs.

Net present value of Company reserves, discounted at 10 percent before income taxes ($000's) [1,2,3]

Reserve Category	Light and Medium Crude Oil	Heavy Crude Oil	Total Crude Oil	Natural Gas Liquids	Natural Gas	ARTC	Total
Proved							
-producing	310	1,167	1,477	990	3,434	281	6,181
-non-producing	5,330	(35)	5,295	1,444	820	1,007	8,566
Total Proved	5,640	1,132	6,772	2,434	4,253	1,288	14,747
Probable	1,747	181	1,928	713	1,612	325	4,578
Proved plus probable	7,387	1,313	8,700	3,147	5,865	1,613	19,325

(1) Utilizes McDaniel and Associates Consulting Limited price forecast as of January 1, 2004.

(2) Values include royalty interest reserves and are net of abandonment liabilities.

(3) Numbers in this table are subject to round off error.

The following price forecasts were used to determine future revenues from the Company's reserves.

McDaniel Report price forecast as of January 1, 2004 – Crude oil and natural gas liquids

Year	WTI Crude Oil $US/bbl[1]	Edmonton Light Crude Oil $C/bbl[2]	Heavy Crude Oil $C/bbl[3]	Cromer Medium Crude Oil $C/bbl[4]	Condensate & Natural Gasolines $/bbl	Edmonton Propane $/bbl	Edmonton Butanes $/bbl
2004	29.00	37.70	22.70	32.20	38.45	25.60	24.90
2005	26.50	34.30	21.55	29.71	35.07	23.60	22.60
2006	25.50	33.00	21.56	28.84	33.78	22.40	21.80
2007	25.00	32.30	20.63	28.06	33.10	21.70	21.30
2008	25.00	32.30	20.39	27.97	33.11	21.40	21.30
2009	25.50	32.90	20.76	28.48	33.73	21.70	21.70
2010	26.00	33.50	21.11	29.00	34.34	21.90	22.10

(1) West Texas Intermediate at Cushing, Oklahoma, 40 degrees API, 0.5 percent sulphur.

(2) Edmonton Light Sweet, 40 degrees API, 0.5 percent sulphur.

(3) Heavy crude oil, 12 degrees API at Hardisty Alberta (after deduction of blending costs to reach pipeline quality).

(4) Midale Cromer crude oil, 29 degrees API, 2.0 percent sulphur.

(5) Generally all price forecasts increase at 2 percent per year beyond the last price shown above.

McDaniel Report price forecast as of January 1, 2004 – Natural gas

Year	U.S. Henry Hub Gas Price $US/Mmbtu	AECO Spot Price $C/GJ	Alberta Average Plantgate $C/Mmbtu [1]	Aggregator Plantgate $C/Mmbtu
2004	5.00	5.50	5.65	5.65
2005	4.65	5.19	5.30	5.30
2006	4.30	4.87	4.95	4.95
2007	4.08	4.68	4.75	4.75
2008	3.97	4.53	4.60	4.60
2009	4.00	4.57	4.65	4.65
2010	4.03	4.60	4.65	4.65

(1) This forecast also applies to direct sales contracts and the Alberta gas reference price used in the crown royalty calculations.

(2) Generally all price forecasts increase at 2 percent per year beyond the last price shown above.

The following table summarizes Burmis' share of the net present value of its reserves at December 31, 2003 using constant prices and costs.

Net present value of Company reserves, discounted at 10 percent before income taxes ($000's) [1,2,3]

Reserve Category	Light and Medium Crude Oil	Heavy Crude Oil	Total Crude Oil	Natural Gas Liquids	Natural Gas	ARTC	Total
Proved							
-producing	479	1,036	1,515	1,118	4,080	321	7,035
-non-producing	6,463	(29)	6,434	1,651	1,360	1,059	10,504
Total Proved	6,943	1,007	7,950	2,769	5,440	1,380	17,539
Probable	2,255	177	2,432	815	2,054	403	5,703
Proved plus probable	9,198	1,183	10,381	3,584	7,494	1,783	23,242

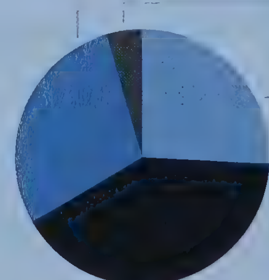
(1) Utilizes McDaniel and Associates Consulting Limited constant price schedule as of January 1, 2004 as follows: $39.76/bbl Cdn. Edmonton Light crude oil; $22.75/bbl Cdn. Hardisty Heavy crude oil; $34.25/bbl Cdn. Cromer Medium crude oil; $5.87/mmbtu Cdn. Alberta Average Field Gate; and $31.50/bbl Cdn. NGL mix.

(2) Values include royalty interest reserves and are net of abandonment liabilities.

(3) Numbers in this table are subject to round off error.

Finding, Development and Acquisition Costs

Burmis expended $9.75 million in 2003 subsequent to acquiring certain minor producing and undeveloped properties under the Plan of Arrangement dated January 28, 2003. The Company's finding and development costs for its 2003 capital program, excluding both the original acquisition of properties under the Plan of Arrangement and future development capital, were $7.86 per barrel of oil equivalent of proved and probable reserves and $10.67 per barrel of oil equivalent of proved reserves. The Company's finding and development costs for its 2003 capital expenditure program including future development capital of $2.3 million but excluding the original acquisition of properties under the Plan of Arrangement were $9.69 per barrel of oil equivalent of proven plus probable reserves and $13.16 per barrel of oil equivalent of proved reserves. The overall finding and development and acquisition costs for Burmis in 2003 including $2.3 million



Capital Expenditures ($000's)
by Category

of future development capital and the cost of the initial acquisition of and revisions to the properties under the Plan of Arrangement, with the equity issued valued using the closing price of the Burmis shares on the first day of trading, were $10.95 per boe of proved and probable reserves and $14.28 per boe of proved reserves.

Net Asset Value (per diluted share at December 31, 2003)

Net present value of proved plus probable reserves [1]	$	19,325
Undeveloped land		2,402
Working capital deficit		(486)
Proceeds from exercise of stock options		983
Total	$	22,224
Diluted shares at December 31, 2003 (000's)		23,673
Net asset value per diluted share	$	0.94

Amounts are in thousands of dollars except per share data.

[1] Net present value of reserves evaluated by McDaniel and Associates Consulting Ltd. as of December 31, 2003, in accordance with the standards of NP 51-101 using forecasted prices and costs, discounted at 10 percent before taxes.

[2] Undeveloped lands in Canada were evaluated by Seaton Jordan and Associates Ltd., and undeveloped lands in the US were evaluated by Baseline Minerals, Inc., both in accordance with the standards of NP 51-101.

Environment

The Company is aware of the risks to the environment which are inherent in its business activities. Specifically, risks include the potential pollution of air, land and water and the disruption of natural habitats. Burmis is committed to protecting and maintaining the environment with respect to all corporate operations on behalf of shareholders, employees and the general public. The Company conducts its business in compliance with all provincial and federal operations and environmental regulations.

As well, the Company has developed an Environmental Policy Statement and Management Manual in accordance with which all employees and contract operators must carry out their work. Careful planning and due diligence is exercised by the Company in preparation for its field operations. By conducting its operations with the protection of the environment as a priority, the Company reduces the risks associated with its activities.

The Company has an active well abandonment and reclamation program to manage and reduce these liabilities on an ongoing basis.

Safety

Burmis Energy Inc. is committed to the protection of life and property in all that it seeks to achieve as an active oil and gas explorer and producer. Accordingly, our goal is to ensure the health and safety of our employees and all others involved in or impacted by our operations.

The Company has developed a Safety Policy and Corporate Safety Manual that all employees and contract operators carry out their work in accordance with. For its part, the Company will be responsible for seeking every reasonable means to provide a safe work environment; employ personnel with the skills, training and equipment required to complete their jobs in a safe manner; and use practices and procedures which meet or exceed regulatory or recognized industry standards. As well, the Company will encourage the active involvement and support of its employees in promoting and carrying out an effective safety program.

"We decided to focus our activities initially in west central Alberta, an area in which we have considerable operational experience and technical expertise".

Areas of Activity

The core area of activity for Burmis Energy Inc. is west central Alberta. Under the Plan of Arrangement in which Elk Point Resources Inc. was sold to Acclaim Energy Trust, the shares of Burmis Energy Inc., a separate entity, were distributed to the shareholders of Elk Point and Burmis acquired certain producing and non-producing assets and 10,000 net acres of undeveloped land in west central Alberta. These properties included Westerose, Hoadley, Ferrier, Pembina, Bat Lake, Wildwood and Greencourt. Burmis also obtained a one-year option to farm-in on 14,500 net acres of former Elk Point lands in this core area.

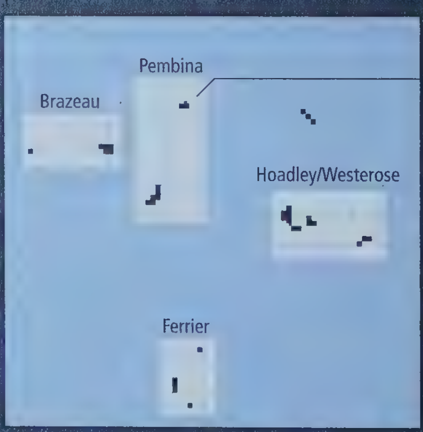
Pembina

Burmis drilled and completed a farm-in well (working interest 75 percent before payout /37.5 percent after payout) at Pembina 4-27-49-8 W5M in July, which tested oil at rates up to 1,000 bbls/d. In December, the Company drilled the 14-22-49-8 W5M (37.5 percent working interest) follow up well which tested oil at a restricted rate of 383 bbls/d over a twenty-four hour period.

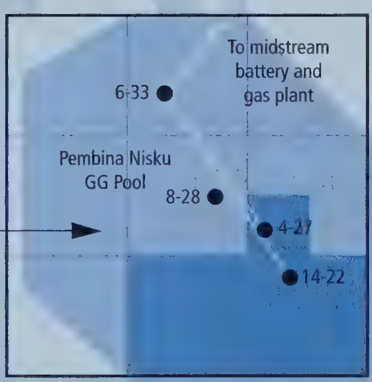
Burmis has tied-in both of these wells into the Keyspan operated 11-14-50-8 W5M Easyford oil battery, which is being expanded in the second quarter of 2004 to handle 9,600 barrels of oil per day. The Company has completed the construction of two four inch emulsion lines from these wells to a common header and has participated as an owner in two six inch group lines from this header to the oil battery.

The Company has negotiated for 755 barrels per day of firm gross oil treating capacity for its two Nisku oil wells and has agreed to gas transportation and plant processing agreements to handle the solution gas from these two wells. The wells are expected to come onstream early in the third quarter of 2004 at an initial rate of approximately 300 boepd net to Burmis. This production rate equates to the Company's share of firm capacity in the Easyford oil battery and it may be increased if additional battery capacity becomes available.

A DIVERSIFIED PROSPECT INVENTORY WITH PLANS



West Cental Alberta



Pembina

Burmis acreage
3-D seismic coverage

Burmis also participated with a 50 percent before payout, 25 percent after payout working interest in a successful shallow gas well in this area and acquired a 25 percent working interest in three sections of land which have multi-zone potential for gas offsetting this well. In the first quarter, the Company participated with a 25 percent working interest in a medium depth gas well. The well was successfully completed and tested and is expected to commence production in mid-April.

Ferrier

Burmis drilled a successful Cardium (40 percent working interest) gas well at 6-18-40-8 W5M in the Ferrier area in July and placed it onstream in September. The well is currently producing at a net rate of 0.25 million cubic feet per day plus associated natural gas liquids. The Company drilled a second Cardium gas well at 6-19-40-8 W5M in December 2003. This 65 percent working interest gas well commenced production in February 2004 at a net rate of 0.8 million cubic feet per day plus associated natural gas liquids.

Westerose/Hoadley

Burmis tied in three low deliverability gas wells in this area in 2003. The Company also re-entered a 50 percent working interest well which commenced production in November, 2003 at an average rate of 0.7 million cubic feet per day of gas and 50 barrels per day of natural gas liquids.

In 2004, Burmis drilled a 100 percent working interest shallow gas well in this area and brought it onstream in mid February at a rate of 0.5 million cubic feet per day. Burmis has an additional 3,500 acres of undeveloped lands in this area which have potential for additional drilling.

Kidney

In the first quarter of 2004, Burmis drilled an exploratory well at Kidney (working interest 100 percent before payout/60 percent after payout) in northern Alberta which resulted in a light oil pool discovery. The Company has equipped and tied-in this well to an existing oil battery. Production commenced in early April at initial rates at which fluctuated between 50 and 80 barrels of oil per day. Burmis has identified additional follow-up locations on this prospect, the first of which is scheduled for drilling in the third quarter of 2004.

Powder River Basin, Wyoming

Burmis has two producing oil properties at True Grit and East Swartz Draw in the Powder River Basin. The Company also has 22,000 net acres of undeveloped land in the area where the oil bearing Minnelusa 'C' Sand is the primary target. The Company did not spend any capital on these properties in 2003 and intends to harvest cash flow from these properties again in 2004. The stable cash flow from these two producing properties covers the general and administrative costs of the Company allowing the team to undertake full cycle exploration and development activities in west central Alberta.

FOR DEVELOPMENT

Undeveloped Land Holdings

The Company's undeveloped land base was 78,426 gross (41,725 net) acres at year end 2003. Burmis increased its net undeveloped acreage in Canada by approximately 90 percent to 19,098 acres while its holdings in the US remained unchanged. A one-year option to farm-in on 13,500 net acres with a royalty trust expired in late January, 2004. The Company drilled successful wells and earned lands under this farm-in option agreement at Westerose, Pembina and Minnehik in 2003. The Company has recently signed farm-in agreements with senior producers in the Senex and Whitecourt areas which involve single well commitments.

Undeveloped Land Holdings

(Acres)

	Gross	Net	Average Working Interest (%)
Alberta	31,360	18,252	58
Saskatchewan	1,538	846	55
Canada	32,898	19,098	58
Wyoming	40,966	20,426	50
Montana	4,562	2,201	48
United States	45,528	22,627	50
TOTAL	78,426	41,725	53

Management's Discussion and Analysis

(Results reflect operations from January 28 to December 31, 2003)

The following should be read in conjunction with the Audited Consolidated Financial Statements included in this report. The Audited Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles. The Company's quarterly operating and financial information is provided following Management's Discussion and Analysis of operations and should be read in conjunction with the Management's Discussion and Analysis.

The Company evaluates its performance and that of its business segments based on earnings and cash flow from operations. Cash flow from operations is a non-GAAP term that represents earnings before depletion and depreciation, and future income taxes. It is a key measure as it demonstrates the Company's ability to generate the cash flow necessary to fund future growth through capital investment.

Burmis commenced operations on January 28, 2003, as a result of a Plan of Arrangement involving the sale of Elk Point Resources Inc. ("Elk Point") to Acclaim Energy Trust wherein the shareholders of Elk Point received one-half share of Burmis for each Elk Point share held. Pursuant to that transaction, properties producing approximately 300 barrels of oil equivalent per day, 30,000 net acres of undeveloped land, net working capital of $1.1 million and $9.2 million of Canadian tax pools were acquired by Burmis from Elk Point. Burmis also negotiated a one-year option from the trust to farm-in on 13,500 net acres of undeveloped land in west central Alberta.

Burmis focussed its efforts on exploration and development drilling activities in west central Alberta during 2003. The Company intends to pursue growth through exploration and development activities supported by land acquisitions and farm-in arrangements. This growth may be enhanced from time to time with complimentary acquisitions in the Company's core area of west central Alberta.

During 2003, cash flow from operations was $2,968,000, while earnings totaled $435,000. During the fourth quarter, cash flow from operations was $888,000 and earnings were $85,000.

Gross petroleum and natural gas revenues were $1,851,000 in the fourth quarter of 2003, and totaled $6,048,000 for the reporting period ended December 31, 2003. During the fourth quarter, crude oil and natural gas liquids accounted for 43 percent of gross revenues while natural gas comprised 57 percent of gross revenues. During 2003, crude oil and natural gas liquids were 45 percent of gross revenues while natural gas accounted for 55 percent of gross revenues.

Burmis undertook an active capital program during 2003. Our successful drilling and development program allowed us to double our production to 624 barrels of oil equivalent per day in December 2003 compared to production of 300 barrels of oil equivalent per day at start-up. During 2003, Burmis' sales averaged 503 barrels of oil equivalent per day.

During the fourth quarter, natural gas sales averaged 1,960 thousand cubic feet per day compared to 1,799 thousand cubic feet per day in the third quarter of 2003. During 2003, natural gas sales averaged 1,537 thousand cubic feet per day. Burmis received an average natural gas price of $5.81 per thousand cubic feet during the fourth quarter. The average natural gas price was $6.30 per thousand cubic feet in 2003.

Crude oil and natural gas liquid sales averaged 271 barrels per day during the fourth quarter of 2003 compared to 233 barrels per day during the third quarter of 2003. Crude oil and natural gas liquid sales averaged 247 barrels per day for the year. During the fourth quarter, Burmis realized an average price for crude oil and natural gas liquids of $31.86 per barrel, consistent with third quarter pricing. During the fourth quarter, strength in the West Texas Intermediate crude oil reference price should have had a positive impact on crude oil and natural gas liquids prices received. However, the stronger Canadian dollar offset this impact. During 2003, the Company realized an average price of $32.84 per barrel for its crude oil and natural gas liquid production.

The Company did not have any hedges in place for its natural gas and crude oil production during 2003 and currently has no hedges in place for 2004 production.

Royalties were 26.6 per cent of gross revenues during the fourth quarter and 27.1 per cent of gross sales for the reported period. Royalties, as a percentage of gross revenues, have been declining through 2003 as Burmis has become eligible to claim the Alberta Royalty Tax Credit on production from newly drilled wells. During 2003, Burmis paid $95,000 in compensatory gas royalties to the government of Alberta. The well to which these royalties related was brought on production in December 2003 and the compensatory royalty is no longer being charged to the Company. Burmis does not expect to be liable for any compensatory royalties during 2004.

Operating expenses were $307,000 ($5.58 per barrel of oil equivalent) in the fourth quarter of 2003 and $925,000 ($5.45 per barrel of oil equivalent) for the reported period. General and administrative expenses totaled $150,000 ($2.73 per barrel of oil equivalent) in the fourth quarter and $493,000 ($2.91 per barrel of oil equivalent) for the period ended December 31, 2003.

Effective June 9, 2003, a series of federal tax rate reductions for Canadian resource activities was implemented. Effective April 1, 2003, the Alberta Corporate Income Tax Rate was reduced from 13.0 percent to 12.5 percent. The combined effect of these tax rate reductions reduced

the Company's future income tax asset and increased income tax expense by $12,000. Current taxes in 2003 reflect the Company's liability for Large Corporations Tax ("LCT"). Burmis was considered to be associated to Elk Point during 2003 and we were unable to utilize the $15 million capital deduction available to corporations in calculating LCT. Subsequent to 2003, Burmis is no longer considered to be associated with Elk Point and we do not expect to have a LCT liability in 2004.

Net capital expenditures totalled $9,747,000 in 2003. These consisted of exploration expenditures of $2,520,000, development expenditures of $3,967,000, investments in production facilities of $2,821,000 and land and seismic additions of $439,000.

LIQUIDITY AND CAPITAL STRUCTURE

During August 2003, Burmis' revolving production loan facility with a Canadian chartered bank was increased from $2.1 million to $4.0 million after a scheduled review. This provides Burmis with additional financial flexibility. The facility is scheduled for review in May 2004 at which time the bank may change the term and amount of the facility. The Company anticipates an increase in the available facility due to the increases in our reserves and production base. No amounts were outstanding under this facility at December 31, 2003, however Burmis did have a working capital deficit of $486,000 at the end of the period.

Burmis commenced operations on January 28, 2003, as a result of a Plan of Arrangement involving the sale of Elk Point to Acclaim Energy Trust wherein the shareholders of Elk Point received one-half share of Burmis for each Elk Point share held. As a result of this transaction, Burmis started operations with 15,310,133 common shares outstanding.

On February 20, 2003 Burmis closed a private placement of 1.75 million common shares and 1.75 million flow-through common shares with its officers and directors for gross proceeds of $1.575 million. Proceeds of the private placement were used to fund the Company's exploration and development program this year. After giving effect to the initial private placement, Burmis had 18.8 million common shares outstanding.

On August 13, 2003 Burmis closed a private placement of 3.0 million flow-through common shares for gross proceeds of $3.9 million. Proceeds of the private placement will be used to fund the Company's exploration program in west central Alberta. After giving effect to the private placement, Burmis has 21.8 million common shares outstanding. In addition, 1.86 million stock options have been issued at an average exercise price of $0.53 per share.

At December 31, 2003 the Company had commitments for the lease of office space totaling $92,500 in 2004, $127,500 in 2005, $133,000 in 2006 and $33,500 in 2007.

CRITICAL ACCOUNTING POLICIES

The Company's significant accounting policies are outlined in note 1 to the audited consolidated financial statements. The following summarizes certain accounting estimates that are integral to the determination of reported financial results and highlights changes in accounting policies required in 2004.

Full Cost Accounting

Burmis follows the full cost method of accounting as prescribed by Accounting Guideline #16 issued by the Canadian Institute of Chartered Accountants ("CICA"). Under this method of accounting, all costs for exploration, development, land and property acquisition are capitalized. Burmis has two cost centres; Canada and the United States. These costs are depleted and depreciated using the unit-of-production method based on estimated proved reserves for each cost centre.

The capitalized costs can not exceed a prescribed ceiling test amount. On a quarterly basis, the net capitalized costs in each cost centre are compared to a calculated ceiling amount. If the capitalized costs are determined to be in excess of the calculated ceiling, the excess must be expensed. The calculated ceiling is a discounted estimate of the cash flows to be realized from the future production of reserves and the sale of unproved properties.

Proceeds from the disposition of properties are deducted from capitalized costs without recognition of a gain or loss unless such disposition would alter the rate of depletion and depreciation by more than 20 percent.

An alternative method of accounting used by some industry participants is the successful efforts method. Under this method, exploratory dry holes and geological and geophysical costs are charged to earnings as incurred rather than being capitalized and amortized.

Reserves

Burmis has engaged independent petroleum engineers to evaluate all of its reserves. Reserve determinations involve forecasts of future commodity prices, production rates, operating costs and timing of capital investments, all of which are subject to interpretation. Reserve estimates are used in the calculation of depletion and depreciation expense, and in determining the cost ceiling amounts. Revisions to reported reserve estimates may have a significant on reported depletion and depreciation expense and could potentially result in a ceiling test write-down.

Future Site Restoration

Estimated future site restoration costs are provided for over the life of the proven reserves on a unit-of-production basis. Costs are estimated each year by management. The annual charge is included in depletion, depreciation and amortization expense and actual site restoration expenditures are charged to the accrued liability account as incurred. Changes to the estimated costs impact this provision.

In 2004, the Company will be required to provide for future site restoration costs using a fair value method. The future cost estimate will be based on current regulations, costs, technology and industry standards; however, the reported liability will be the present value of the future estimate of site restoration costs. The retroactive adoption of this new standard will result in an increase in both petroleum and natural gas properties and the provision for site restoration. Currently, it is not expected that future earnings will be significantly impacted by the adoption of the new standard.

The amount of the liability will be affected by factors such as the timing of future expenditures, the discount rate used, the number of properties and future changes in legislation. All of these estimates will be subject to change and may impact the depletion and depreciation rate and the reported future liability. A revision of estimated future costs and changes in the estimated timing of expenditures may result in a change in the reported liability and the depletion and depreciation rate.

Stock-based Compensation

The Company has a stock option plan whereby certain officers, directors and employees are granted options to purchase common shares. The exercise price of each option equals the market price of the common shares on the date of grant. Options granted under the plan have a maximum term of five years and vest equally over a three-year period starting on the first anniversary date of the grant.

In 2004, Burmis will be required to use a fair value method of accounting for stock options granted. Based on stock options outstanding at December 31, 2003, the 2004 expense resulting from the adoption of this new standard will be approximately $140,000. In determining the fair value of the stock options granted, the Black-Scholes model was used and assumptions regarding interest rates, underlying volatility of the Company's stock and expected life of the options were made. The 2004 expense resulting from the adoption of this new standard will ultimately be dependent upon the number of additional stock options granted during 2004.

During 2003, Burmis did not record a compensation expense for stock options granted. Had the Company used the fair value method of accounting for options granted, 2003 earnings would have been reduced by $252,000. The retroactive adoption of this new standard will result in the recognition of this expense in 2003.

OUTLOOK FOR 2004

The Burmis team will continue to implement a growth strategy, primarily in its core area of west central Alberta, to build the Company's production and reserve base in 2004. A capital budget of $8.0 million has been approved. These expenditures are to be funded by cash flow from operations and the Company's existing production loan facility. The Company has budgeted for participation in up to 15 gross wells this year.

The Company's drilling program yielded a 100 percent success rate in the first quarter of 2004. A discovery well at Kidney commenced production in April at initial rates which fluctuated between 50 and 80 barrels of oil per day. Gas wells at Pembina and Hoadley will be tied in during the second quarter and are expected to add approximately 500 thousand cubic feet per day of natural gas production.

Burmis is also participating as an owner in the sour oil and gas gathering infrastructure necessary to initiate production from its Pembina Nisku oil property. Production is expected to commence in the third quarter of 2004 at a net rate of approximately 300 barrels of oil equivalent per day.

Near term drilling plans include a Nisku oil prospect at Brazeau, a Nordegg test at Whitecourt and a follow up location to our Keg River oil discovery at Kidney. With our existing opportunity portfolio, we are confident in our ability to continue to grow Burmis in 2004.

BUSINESS RISKS

The business of exploring for, developing, acquiring, producing and marketing crude oil and natural gas is subject to many risks and uncertainties, several of which are beyond control of the Company. These risks are operational, financial and regulatory in nature.

Operational risks include exploration and development of economic crude oil and natural gas reserves, reservoir performance, safety and environmental concerns, access to cost effective contract services, product marketing and hiring and retaining qualified employees. Burmis employs a team of highly motivated and experienced staff skilled in managing these risks and uncertainties. Management is familiar with operations and has extensive experience working in the Company's primary area of operations, west central Alberta. The Company also maintains an insurance program commensurate with its levels and scope of operations to protect against loss from destruction of assets, pollution, blowouts or other losses.

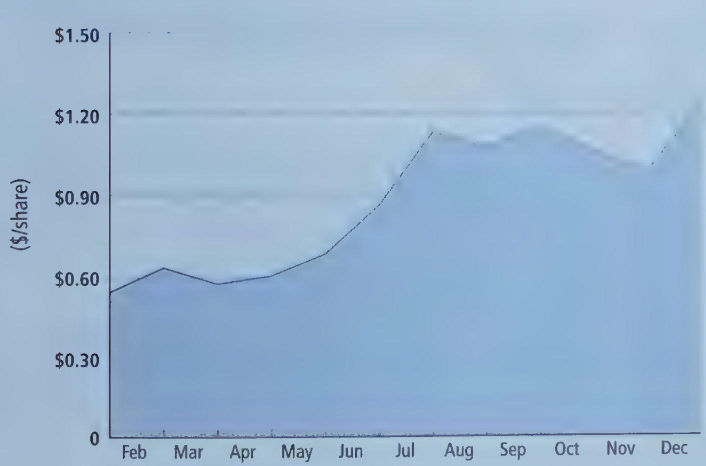
Financial risks include fluctuations in commodity prices, exchange rates and interest rates, all of which are beyond control of the Company. Burmis has access to and, when considered prudent, will use various financial instruments to manage its exposure to these financial risks. In addition, the Company actively manages its working capital and debt positions and may use future equity issues to maintain a financial position.

Burmis is subject to a variety of regulatory risks that it does not control. The Company has a safety first policy and maintains and Emergency Response Plan to effectively deal with operational or environmental matters that may arise. Government regulations are monitored on an ongoing basis to ensure the Company continues to be in compliance.

COMMON SHARE TRADING SUMMARY

	High	Low	Close	2003 Volume
First quarter	$0.82	$0.45	$0.57	4,927,671
Second quarter	$0.99	$0.49	$0.86	3,009,210
Third quarter	$1.45	$0.80	$1.15	3,052,651
Fourth quarter	$1.28	$0.87	$1.23	1,827,622
Summary	$1.45	$0.45	$1.23	12,817,154

2003 Share Price



The Company's common shares are listed for trading on the Toronto Stock Exchange under the symbol "BME" and commenced trading on February 1, 2003. At March 31, 2004 Burmis had 21,816,133 common shares and 1,869,000 stock options outstanding.

Summary Of 2003 Operating and Financial Results

2003 Quarterly Results

OPERATING	First	Second	Third	Fourth	2003
Natural gas (mcf/d)	711	1,405	1,799	1,960	1,537
Price ($/mcf)	8.71	6.88	5.75	5.81	6.30
Oil and NGL's (bbl/d)	248	237	233	271	247
Price ($/bbl)	40.72	29.63	31.52	31.86	32.84
Barrels of oil equivalent (per day)	367	471	533	598	503

FINANCIAL ('000's of dollars)					
Petroleum and natural gas revenues	1,023	1,537	1,637	1,851	6,048
Royalties	(287)	(439)	(418)	(492)	(1,636)
Interest and other income	-	15	21	11	47
Net revenues	736	1,113	1,240	1,370	4,459
Operating expenses	134	217	267	307	925
General and administrative	82	146	115	150	493
Depletion and depreciation	346	462	612	722	2,142
Other expense	-	33	3	4	40
Total expenses	562	858	997	1,183	3,600
Earnings before income taxes	174	255	243	187	859
Current income taxes	3	4	5	21	33
Future income taxes	78	133	99	81	391
	81	137	104	102	424
Earnings	93	118	139	85	435

NETBACKS ($/boe)					
Petroleum and natural gas revenues	44.96	35.85	33.42	33.67	35.66
Royalties	(12.62)	(10.24)	(8.53)	(8.96)	(9.65)
Operating expenses	(5.90)	(5.06)	(5.46)	(5.58)	(5.45)
Operating netback	26.43	20.56	19.42	19.13	20.56
General and administrative	(3.58)	(3.41)	(2.35)	(2.74)	(2.91)
Other income and expense	-	(0.31)	0.40	0.14	0.04
Current income taxes	(0.13)	(0.09)	(0.10)	(0.38)	(0.19)
Cashflow netback	22.72	16.61	17.37	16.15	17.50

Management's Report

The accompanying consolidated financial statements and all information in the annual report are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with the accounting policies described in note 1 to the consolidated financial statements. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with Canadian generally accepted accounting principles appropriate in the circumstances. The financial information contained elsewhere in the annual report has been reviewed to ensure consistency with that in the consolidated financial statements.

Management has developed and maintains systems of internal accounting controls, policies and procedures in order to provide reasonable assurance as to the reliability of the financial records and the safeguarding of assets.

External auditors, appointed by the shareholders, have examined the consolidated financial statements and have expressed an opinion on the statements. Their report is included with the financial statements.

The Board of Directors has established an Audit Committee consisting of non-management directors to review these statements with management and the external auditors. The Board of Directors has approved the financial statements on the recommendation of the Audit Committee.

Aidan M. Walsh
President and Chief Executive Officer

Scott R. Dyck
Chief Financial Officer

March 23, 2004

Auditors Report to the Shareholders

We have audited the consolidated balance sheets of Burmis Energy Inc. as at December 31, 2003 and 2002 and the consolidated statements of earnings, retained earnings and cash flows for the period from January 28, 2003 to December 31, 2003. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2003 and 2002 and the results of its operations and cash flows for the period from January 28, 2003 to December 31, 2003 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Calgary, Canada

March 23, 2004

Consolidated Balance Sheets

(thousands of dollars)

(audited)	December 31, 2003	December 31, 2002
Assets		
Current assets		
Cash	$ 1,832	$ –
Accounts receivable	2,610	–
	4,442	–
Petroleum and natural gas properties (notes 2 and 3)	17,240	–
	$ 21,682	$ –
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 4,928	$ –
Provision for site restoration	957	–
Future income tax liability (note 7)	821	–
Shareholders' equity		
Share capital (note 5)	14,541	–
Retained earnings	435	–
	14,976	–
	$ 21,682	$ –

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

Peter M.S. Longcroft
Director

Aidan M. Walsh
Director

Consolidated Statement of Earnings
(thousands of dollars, except per share amounts)

(audited)		January 28, 2003 to December 31, 2003
Revenues		
Petroleum and natural gas	$	6,048
Royalties		(1,636)
Interest and other income		47
		4,459
Expenses		
Operating		925
General and administrative		493
Depletion and depreciation (note 3)		2,142
Other expense		40
		3,600
Earnings before income taxes		859
Income taxes (note 7)		
Current		33
Future		391
		424
Earnings	$	435
Earnings per share (note 6)		
Basic	$	0.02
Diluted	$	0.02

Consolidated Statement of Retained Earnings
(thousands of dollars)

(audited)		January 28, 2003 to December 31, 2003
Retained earnings, beginning of period	$	–
Earnings		435
Retained earnings, end of period	$	435

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

(thousands of dollars)

(audited)		January 28, 2003 to December 31, 2003
Cash provided by (used in)		
Operations		
Earnings	$	435
Items not affecting cash		
Depletion and depreciation		2,142
Future income taxes		391
Cash flow from operations		2,968
Change in non-cash working capital		
Accounts receivable		(1,978)
Accounts payable and accrued liabilities		4,100
		5,090
Financing		
Cash received pursuant to Plan of Arrangement		1,315
Issue of common shares for cash, net of share issue costs		5,177
		6,492
Investments		
Additions to petroleum and natural gas properties and facilities		(9,747)
Site restoration expenditures		(3)
		(9,750)
Increase (decrease) in cash		1,832
Cash, beginning of period		–
Cash, end of period	$	1,832

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of presentation:

The consolidated financial statements of Burmis Energy Inc. (the "Company") have been prepared by management in accordance with accounting principles generally accepted in Canada. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

The consolidated financial statements include the accounts of the Company and its wholly owned United States subsidiary.

(b) Petroleum and natural gas properties:

The Company follows the full cost method of accounting for petroleum and natural gas properties whereby all costs relating to the acquisition, exploration and development of petroleum and natural gas reserves are capitalized. Such costs are accumulated in two cost centres, Canada and the United States.

These capitalized costs together with production and related equipment are depleted and depreciated using the unit-of-production method based on estimated gross proved petroleum and gas reserves as determined by independent reservoir engineers. Petroleum and natural gas reserves and production are converted into equivalent units based upon relative energy content. Depreciation of facilities is charged to earnings over an estimated useful life of 10 years on a straight-line basis.

Costs of acquiring and evaluating unproved properties are initially excluded from depletion calculations. These unevaluated properties are assessed periodically to ascertain whether impairment has occurred. When proved reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion calculations.

In applying the full cost method, the Company calculates a ceiling test whereby the carrying value of petroleum and natural gas properties is compared quarterly to the sum of undiscounted future cash flows expected to result from proved reserves and the lower of cost and market of unproved properties. Cash flows are based on third party quoted forward prices, adjusted for transportation and quality differentials. Should the ceiling test result in an excess of carrying value, the Company would then measure the amount of impairment by comparing the carrying amounts of petroleum and natural gas properties to an amount equal to the estimated net present value of future cash flows from proved plus probable reserves and the lower of cost and market of unproved properties. A risk free interest rate would be used to arrive at the net present value of future cash flows. The carrying value of petroleum and natural gas properties in excess of the future cash flows would be recorded as a permanent impairment.

Estimated future site restoration costs are provided for over the life of the proven reserves on a unit-of-production basis. Costs are estimated each year by management based on current regulations, costs, technology and industry standards. The annual charge is included in depletion, depreciation and amortization expense and actual site restoration expenditures are charged to the accrued liability account as incurred.

Proceeds from the sale of petroleum and natural gas properties are applied against capitalized costs, with no gain or loss recognized, unless such a sale would alter the rate of depletion and depreciation by more than 20 per cent.

Substantially all exploration and production activities are conducted jointly with others. Accordingly, the accounts reflect only the Company's proportionate interest in such activities.

(c) Per share amounts:

The Company follows the treasury stock method to determine the dilutive effect of stock options and other dilutive instruments in the calculation of diluted earnings and cash flow from operations per share. Under the treasury stock method only "in-the-money" dilutive instruments impact the diluted calculation.

Basic per share amounts are computed by dividing earnings by the weighted average number of common shares outstanding for the period. Diluted per share amounts are calculated giving effect to the potential dilution that would occur if stock options or other dilutive instruments were exercised or converted to common shares. The treasury stock method assumes that any proceeds upon the exercise or conversion of dilutive instruments would be used to purchase common shares at the average market price of the common shares during the period.

(d) Future income taxes:

The Company follows the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are recognized, at substantively enacted rates, for differences between the amount reported for financial statement purposes and their respective tax basis. The effect of a change in income tax rates on future income tax assets and liabilities is recognized in income in the period that the change occurs.

(e) Revenue recognition:

Revenues associated with the sale of natural gas, natural gas liquids and crude oil owned by the Company are recognized when title passes from the Company to its customer.

(f) Hedging:

The Company may enter into financial instruments and forward sales contracts to hedge its exposure to price volatility on a portion of its production. The Company does not use financial instruments for trading or speculative purposes. Hedge accounting will be used when there is a high degree of correlation between price movements in the financial instrument and the item designated as being hedged. Gains and losses on derivative instruments used for hedging purposes are recognized in the same period as the hedged item and are recorded in the consolidated statements of earnings in the same manner as the hedged item. The fair values of derivative instruments is not recorded in the balance sheet. If correlation ceases, hedge accounting will be terminated and future changes in the market value of the derivative instruments will be recognized as gains and losses in the period of change.

(g) Foreign currency translation:

Accounts of foreign operations, which are considered financially and operationally integrated, are translated to Canadian dollars using average rates for the year for revenue and expenses, except depreciation and depletion which are translated at the rate of exchange applicable to the related assets. Monetary assets are translated at current exchange rates, and non-monetary assets are translated using historical rates of exchange. Gains or losses resulting from these translation adjustments are included in earnings.

(h) Flow-through shares:

The deductions for income tax purposes related to activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. The estimated tax effect of the amounts renounced to shareholders is charged to share capital with a corresponding increase in future income tax liabilities.

(i) Stock-based compensation plans:

The Company has a stock-based compensation plan as described in note 5. The Company uses the intrinsic value method of accounting for its stock based compensation plan. Consideration paid by employees or directors on the exercise of stock options under the employee stock option plan is recorded as share capital. The Company does not recognize compensation expense on the issuance of stock options to employees and directors because the exercise price equals the market price on the day of the grant. The Company discloses the pro-forma effect of accounting for stock option awards under the fair value method. The Black-Scholes option pricing model is used to estimate fair market value.

2. INCORPORATION AND COMMENCEMENT OF OPERATIONS:

The Company was incorporated under the Alberta Business Corporations Act on November 25, 2002 as 1018743 Alberta Ltd. On December 4, 2002 the Company filed Articles of Amendment to change its name to Burmis Energy Inc.

Pursuant to a Plan of Arrangement effective January 28, 2003 whereby Elk Point Resources Inc. ("Elk Point") was sold to Acclaim Energy Trust, each shareholder of Elk Point received one half of one common share of the Company for each Elk Point share held. The Company also acquired cash, certain petroleum and natural gas assets in Canada, and the shares of Bellevue Resources, Inc., a 100 per cent subsidiary, from Elk Point in exchange for common shares of the Company. The transaction was recorded as follows:

Cash	$	1,315
Accounts receivable	$	632
Future income tax asset	$	1,364
Property, plant and equipment	$	9,511
Accounts payable	$	(828)
Site restoration provision	$	(836)
Share capital	$	(11,158)

The acquisition of properties from Elk Point has been recorded using the continuity of interest method, whereby assets and liabilities are recorded at the carrying amount in Elk Point immediately prior to the acquisition. The continuity of interest method has been used as there was no substantive change in the ownership of the properties as a result of the transaction. The results of operations from the acquired properties have been included in the reported results from January 28, 2003, the effective date of the arrangement.

3. PETROLEUM AND NATURAL GAS PROPERTIES:

		2003
Petroleum and natural gas properties	$	19,258
Accumulated depletion and depreciation		(2,018)
	$	17,240

In calculating the ceiling at December 31, 2003, future net revenues exceeded net capitalized costs for both the Canadian and United States cost centers. The prices used in the ceiling test at December 31, 2003 were the forecasted prices of McDaniel and Associates Consultants Ltd., effective January 1, 2004, adjusted for heating value, transportation and quality of the Company's production as follows:

	2004	2005	2006	2007	2008	% increase to 2015
Natural Gas (Cdn. $/mcf)						
Canada	$5.94	$5.59	$5.24	$5.04	$4.94	2.1%
United States	$7.34	$6.83	$ –	$ –	$ –	–
Crude Oil (Cdn. $/bbl)						
Canada	$36.20	$33.03	$31.55	$30.05	$27.16	2.1%
United States	$27.74	$24.19	$22.74	$22.09	$21.86	2.0%
Natural Gas Liquids (Cdn. $/bbl)						
Canada	$30.86	$27.71	$27.07	$26.38	$26.59	2.1%
United States	$30.06	$27.26	$ –	$ –	$ –	–

Costs of unproved properties excluded from costs subject to depletion and depreciation at December 31, 2003 totaled $2,303,000. Future development costs of $2,274,000 have been included in costs subject to depletion.

A provision for site restoration costs totaling $124,000 is included in depletion, depreciation and amortization expense. The estimated future site restoration costs to be accrued over the remaining proven reserves are approximately $513,000.

At December 31, 2003, flow-through share arrangements require the Company to incur approximately $4.8 million in exploratory costs prior to December 31, 2004. To December 31, 2003 approximately $2.1 million has been spent on exploration activities.

4. LENDING FACILITY:

The Company has a revolving production loan facility of $4.0 million which bears interest at the bank prime rate plus 0.375 percent. Repayments of the facility are not required provided the amounts borrowed do not exceed $4.0 million or an amount determined from time to time. The facility is scheduled to be reviewed in May 2004. All amounts drawn under this facility will be classified as a current liability. At December 31, 2003 there were no amounts outstanding on this facility.

The loan facility is secured by a $15 million floating charge demand debenture over all Canadian assets, and a full recourse guarantee of the United States subsidiary.

5. SHARE CAPITAL:

Authorized: Unlimited number of voting common shares.

Issued:

	Number of Shares		Amount
Balance, December 31, 2002	100	$	–
Issued pursuant to Plan of Arrangement (note 2)	15,310,033		11,158
Common shares issued pursuant to private placement	1,750,000		700
Flow through shares issued pursuant to private placements	4,750,000		4,775
Tax effect of flow-through share issue	–		(1,908)
Share issuance costs	–		(298)
Tax benefit of share issue costs	–		114
Balance, December 31, 2003	**21,810,133**	**$**	**14,541**

The tax effect of the flow-through share issuance is recognized as eligible exploration expenditures are renounced.

Private Placements

On February 20, 2003 the Company closed an initial private placement with officers and directors of the Company of 3.5 million common shares for gross proceeds of $1.575 million. Of the shares issued, 1.75 million were flow-through shares issued at a price of $0.50 per share, the weighted average closing price from February 3, 2003 to February 5, 2003. The remaining common shares were issued at a price of $0.40 per share.

On August 13, 2003, the Company closed a private placement of 3.0 million flow-through common shares at a price of $1.30 per share, resulting in gross proceeds of $3.9 million.

Stock-based compensation plan:

The Company has established a stock option plan whereby certain officers, directors and employees may be granted options to purchase common shares. On December 31, 2003 there were 1,875,000 common shares reserved for issuance under the plan. The exercise price of each option equals the market price of the common shares on the date of grant. Options granted under the plan have a maximum term of five years and vest equally over a three-year period starting on the first anniversary date of the grant.

A summary of the status of the plan as of December 31, 2003 and changes during the period ending on that date is presented below:

	Shares		Exercise Price	Weighted Average Life Remaining
Outstanding, January 1, 2003	–		–	–
Granted during 2003:	**1,755,000**	**$**	**0.50**	**4.1 years**
	18,000		**0.61**	**4.2 years**
	90,000		**1.05**	**4.9 years**
Outstanding, December 31, 2003	**1,863,000**	**$**	**0.53**	**4.1 years**
Exercisable, December 31, 2003	–		–	**4.1 years**

Burmis uses the intrinsic value method of accounting for stock options. Under this method, no compensation expense is recognized for stock options granted to employees and directors. Had Burmis applied the fair value method of accounting for stock options, earnings during 2003 would have been $183,000 and basic earnings per share would have been $0.01.

The fair value of the stock options granted during 2003 is estimated to be $450,000 using the Black-Scholes model with the following assumptions:

Expected life (years)	5
Interest rate	5.0 percent
Volatility	43 percent

6. EARNINGS PER SHARE:

Earnings per share is calculated using earnings and the weighted-average number of common shares outstanding. Diluted earnings per share is calculated using earnings and the weighted-average number of diluted common shares outstanding.

	January 28, 2003 to December 31, 2003
Weighted average number of common shares outstanding	19,826,454
Shares issuable pursuant to stock options	1,773,000
Shares to be purchased from proceeds of stock options	(1,152,627)
Weighted average number of diluted common shares outstanding	20,446,827

During the period presented, outstanding stock options were the only dilutive instrument.

7. INCOME TAXES:

The provision for income taxes for the period ended December 31, 2003 varies from the amounts that would be computed by applying the statutory federal and provincial income tax rates of 40.6 percent to earnings before income taxes. Income taxes have been computed as follows:

		2003
Computed "expected" tax provision	$	349
Crown royalties		278
Resource allowance		(219)
U.S. tax rate difference		(24)
Capital taxes payable		33
Other		7
	$	424

The components of the Company's future income tax liability at December 31, 2003 are as follows:		
Petroleum and natural gas properties less tax values	$	1,729
Future site restoration		345
Share issue costs		91
Non-capital losses		
– Canada		105
– United States		8,007
Valuation allowance		(11,098)
Future income tax liability	$	821

The future income tax liability is comprised of an asset of $344,000 in the United States and a liability of $1,165,000 in Canada.

8. FINANCIAL INSTRUMENTS:

The Company is exposed to fluctuations in commodity prices, interest rates and exchange rates. The Company monitors these risks and may utilize financial instruments to manage its exposure to these risks in the future.

Foreign currency risk management

The Company is exposed to foreign currency fluctuations on its United States operating activities as these activities are denominated in U.S. dollars. At December 31, 2003 there were no contracts in place to fix exchange rates on these transactions.

Credit risk

A substantial portion of the Company's accounts receivable are with customers and joint venture partners in the petroleum and natural gas industry and are subject to normal industry credit risk. Purchasers of the Company's natural gas, crude oil and natural gas liquids are subject to an internal credit review to minimize the risk of non-payment.

In the future, the Company may also be exposed to credit risk associated with possible non-performance by financial instrument counterparties. In an effort to minimize credit risk, the Company will only enter into financial arrangements with established counterparties who have an investment grade credit rating, as determined by recognized credit rating agencies.

Fair values

The carrying amounts of the Company's financial assets and liabilities approximate their fair values as at December 31, 2003.

9. SEGMENT INFORMATION:

2003 Operating and Geographic Segments

		Canada		United States		Total
Revenues, net of royalties	$	2,990	$	1,422	$	**4,412**
Earnings before income taxes	$	495	$	364	$	**859**
Earnings	$	197	$	238	$	**435**
Petroleum and natural gas properties						
Cost	$	16,770	$	2,488	$	**19,258**
Accumulated depletion, depreciation and amortization		(1,291)		(727)		**(2,018)**
Net book value	$	15,479	$	1,761	$	**17,240**

10. COMMITMENTS

At December 31, 2003 the Company had commitments for the lease of office space totaling $92,500 in 2004, $127,500 in 2005, $133,000 in 2006 and $33,500 in 2007.

ADVISORY

Certain information regarding Burmis set forth in this document, including management's assessment of the Company's future plans and operations, may constitute forward-looking statements under applicable securities law. By their nature, forward-looking statements necessarily involve risks associated with oil and gas exploration, production, marketing, and transportation such as loss of market, volatility of prices, currency fluctuations, imprecision of reserves estimates, environmental risks, competition from other producers and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of forward-looking information and statements, although considered reasonable at the time may prove to be imprecise. As such, undue reliance should not be placed on forward-looking statements. Burmis' actual results and performance could differ materially from those expressed in or implied by those forward-looking statements. Accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will occur, or if they do occur, what benefit Burmis will derive therefrom.

National Instrument 51-101 Cautionary Statements

Effective December 31, 2003 the Canadian Securities Administrators have implemented new standards of disclosure for reporting issuers engaged in upstream oil and gas activities. These new standards establish a system of continuous disclosure and include specific reporting requirements for oil and gas companies. Burmis' year-end reserve report summarized in this annual report is compliant with NI 51-101.

Under NI 51-101, proved reserve assignments are based on a 90 percent certainty that quantities recovered will equal or exceed proved reserve estimates. Probable reserves are assigned such that there is a minimum 50 percent certainty that quantities recovered will equal or exceed estimates of proved plus probable reserves. The current definition of proved plus probable reserves are compared to prior year's "established" reserves which were comprised of proved plus 50 percent of probable reserves.

The term "boe" may be misleading if used in isolation. A boe conversion ratio of six mcf to one barrel of oil is based on an energy equivalency conversion method, which is primarily applicable at the burner tip and does not necessarily represent a value equivalency.

The discounted net present value information presented may not represent the fair market value of the reserves.

The estimates of reserves and future net revenues for individual properties may not reflect the same level of confidence as estimates of reserves and future net revenues for all properties due to the effects of aggregation.

The aggregate capital expenditures incurred in the most recent financial period and the change during the year in estimated future development costs generally will not reflect total finding and development costs related to reserve additions for that year.

ABBREVIATIONS

bbls	Barrels
bbls/d	Barrels per day
mbbls	Thousand barrels
mcf	Thousand cubic feet
mcf/d	Thousand cubic feet per day
mmcf	Million cubic feet
mmcf/d	Million cubic feet per day
bcf	Billion cubic feet
boe	Barrels of oil equivalent
boepd	Barrels of oil equivalent per day
AEUB	Alberta Energy and Utilities Board
API	American Petroleum Institute
ARTC	Alberta Royalty Tax Credit
GPP	Good Production Practice
OPEC	Organization of Petroleum Exporting Countries
WTI	West Texas Intermediate

DIRECTORS

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Chairman, Sterling Capital Group Ltd.

Rodger A. Tourigny(1)(2)(3)
President, Tourigny Management Ltd.

Aidan M. Walsh(2)(4)(5)
President & Chief Executive Officer,
Burmis Energy Inc.

(1) Member of Audit Committee
(2) Member of Compensation Committee
(3) Member of Reserves Committee
(4) Member of Environment, Health and Safety Committee
(5) Member of Corporate Governance Committee

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Scott R. Dyck
Chief Financial Officer

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Vice President, Production and Operations

James P. Junker
Vice President, Land

Aidan M. Walsh
President & Chief Executive Officer

Dallas L. Droppo
Corporate Secretary

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Trading Symbol: BME

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